

IN THE WORKS

TUNE IN HERE FOR NEWS ABOUT PERSONNEL SYSTEM REFORM IN WASHINGTON

August 2004

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RIISING COSTS, TIGHT BUDGETS

"In the Works" editor Meagan Macvie interviews Marty Brown, director of the Office of Financial Management



Marty Brown

Like many state employees, I want to know what costs are driving budget decisions, where the money goes and what the future holds. So I decided to go straight to the top—to ask the CFO of Washington State, Marty Brown.

Here are his answers:

MM: *Let's talk about the state budget. Is it true that Washington is still facing a budget deficit?*

MB: We still have budget problems, no doubt about it. Right now, we are looking at about a \$1 billion problem by the end of the next two-year budget cycle, assuming 5% revenue growth, an 11% increase in health care costs, normal growth in higher education and K-12 students, and if we continue providing current services with no enhancements other than small inflation increases.

MM: *But isn't the state coming out of the recession?*

MB: Yes, we are slowly coming out of the recession, but our recovery is not as strong as we experienced in the past and job growth is weaker.

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BARGAINING UPDATE

Talks between the governor's Labor Relations Office and the unions representing state employees are moving ahead to economic issues.

"This is crunch time," says chief negotiator Eva Santos. "We have covered a lot of ground and reached tentative agreements on some major issues. But the next few weeks are critical."

Santos emphasizes, "We must be finished with economic issues in early September in order to leave enough time for contracts to be submitted to OFM by our October 1 deadline."

Negotiations on the amount the state will pay on behalf of each employee for their health benefits also are progressing.

The fiscal terms of all the contracts are due to the Office of Financial Management by October 1, 2004. Contracts will go into effect July 2005.

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MM: *I heard the revenue forecast was up? Shouldn't that mean extra money?*

MB: The last few forecasts have been up, and it does mean more money. But rising health care costs and significant new costs in areas we are required to fund, like pensions, are major factors in our budget problem. We also have to acknowledge that Initiative 601, which caps state spending, will come back into play this biennium. Even with more revenue, the amount we can spend will be limited as a result of this voter-approved initiative.

MM: *Why are health care costs so high?*

MB: Health care costs are the fastest growing part of our budget, whether it is for employee benefits, for Medicaid recipients or for injured workers. This is true across the nation, in both the public and private sectors. Since 1995, state expenditures for health care have increased over 100%. Health insurance costs are up due to the ever-increasing costs of prescription drugs, increases in our own usage and advances in technology. OFM assumes 11% health care inflation now and in the near future, which places enormous budget pressure on state funds.

MM: *After 3 years without a pay increase, and with rising medical and pension costs, isn't it time to increase employee compensation?*

MB: It has definitely been a long time since employees got a cost-of-living increase. The state has to have a balanced budget—we've had to make hard decisions and painful cuts in services these last few years to get there. Unlike the federal government, we can't spend money we don't have. These are still tough economic times in our state. We can't always afford to give the kind of increases state employees deserve.

MM: *I've heard rumors that if you don't join the union, you won't get a raise. Is this true?*

MB: No. We assume that if raises are granted to employees through collective bargaining, then raises will be granted to employees not affiliated with a union, too.

MM: *How will salary and health benefits be set for positions that are not part of a bargaining unit represented by a labor union?*

MB: Salary increases will be set, if granted, by the Legislature, as part of the final budget. The amount of state funding for health benefits must also be approved by the Legislature. The benefits package is still established by the Public Employee Benefits Board.

MM: *Are pensions affected by collective bargaining?*

MB: No. Pension choices and benefits aren't subject to bargaining.

MM: *Do you really think Washington Works can improve state government?*

MB: Definitely. This is an opportunity to provide even better, more cost-effective services to state residents and build a better workplace for employees. The personnel reforms we are implementing range from civil service changes to collective bargaining to competitive contracting to our new payroll system ... these reforms will change many of the ways the state conducts business. Yes, we face new challenges in our work life, but we have a responsibility to work together to make this the positive change that state employee groups visualized when they proposed the new law and that policy makers foresaw when they enacted it. State employees can do great things—I have no doubt we can make Washington Works *work*.★

HOW WILL THE NEW CIVIL SERVICE RULES AFFECT YOU?

As we reported last month, Department of Personnel Director Gene Matt adopted the majority of the new civil service rules on July 29. You can read the new rules on the Department of Personnel website: <http://hr.dop.wa.gov/hrreform/rules.htm>.

But what do they really mean? What's changed? Who do they apply to? When?

Taking a look at the differences

In order to provide clear explanations of all the changes, we'll address each main subject area (such as recruitment, classification, compensation, and appeals) in separate articles spread over the next several months, starting with *recruitment* next month. In most cases, we'll provide a side-by-side comparison of the current rules and the new rules, as in the following example:

Current	New
When an employee's position is reallocated, the employee is appointed to the position if he/she has been doing the higher level duties for 12 months. Otherwise, the employee can only be appointed to the reallocated position if he/she can be reached on a register through a referral (in effect, the employee has to compete for the job).	An employee remains in the reallocated position if he/she has performed the higher level duties for 6 months. Even if the employee hasn't done the higher level duties for 6 months, the employee can be promoted to the reallocated position without a referral.

This rule change makes it easier to keep the current employee in a position that is reallocated. Under the old rules, an employer could be forced to layoff the current employee and hire someone else if the incumbent couldn't be reached on the register.

Will the same rules apply to everyone?

Not necessarily. The new rules will apply to all classified employees in both general government and higher education. However, many aspects of the rules may be superseded by collective bargaining agreements. Which provisions will be different for employees in bargaining units won't be known until negotiations are completed.

New rules covering Washington Management Service employees are scheduled for adoption early next year.

When will the rules become effective?

Adoption of the rules is a major milestone in personnel reform. Another critical milestone – completion of collective bargaining agreements – is expected to be reached by October 1. Both the new civil service rules and the negotiated contracts will become effective July 1, 2005. Together, they will provide the framework for most of the Washington Works changes.

What's next?

The focus between now and next July will be on preparing for implementation. The Department of Personnel and state agencies will use this time to ensure training, policies, procedures and supporting resources are available to fully implement the changes. Watch for the article on training in the next newsletter! ★

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TAKING THE FIRST STEP TOWARDS FEWER JOB CLASSES

The job specifications for the first group of classifications slated to move to new occupational categories were posted on the Department of Personnel website on August 23. Those specifications will be presented for adoption at the Department of Personnel Director's Meeting on September 9. The specifications will become effective June 1, 2005.

This is the first step in the phased implementation of the new classification plan. Additional job specifications will be rolled out over a three-month period beginning in January 2005, with a planned effective date of January 2006.

By early 2006, there will be approximately one-third fewer job classes than when the Personnel System Reform Act passed in 2002, and about half of all 65,000 state employees will be in the new classification system.

For more information, go to
<http://hr.dop.wa.gov/hrreform/classplan.htm>



*Have feedback? Email it to
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***Check out the
WASHINGTON WORKS website at
www.washingtonworks.wa.gov
for more information.***

***Use the online [feedback form](#) to comment
on any aspect of the reform effort.***

WASHINGTON WORKS IS KEY SUBJECT IN UPCOMING CONFERENCE

On October 18, the one-day 2004 Public Sector Performance Conference entitled *Creating a Performance Based Culture: The Critical Role of Managers and Supervisors* will feature experts from both inside and outside state government who will share their "smart practices" based on real-life experience, research and data.

Knowing that Washington is on the verge of putting in place a brand new personnel system, this conference was designed to help identify the skills necessary to make the transition smoothly, and learn from the things agencies, managers and employees are doing now to prepare for the coming changes.

Learn How to Thrive in the New Culture

New civil service rules resulting from the state's personnel reform efforts will create a more performance-based environment. This means establishing performance expectations with employees more clearly from the beginning, measuring performance along the way and providing timely feedback. Hear how state managers are successfully aligning staff performance with agency goals.

Agencies soon will have the option to competitively contract for services traditionally and historically provided by state employees, if those services can be done with better results or at a lower cost. Relevant breakout sessions demonstrate how thinking competitively can drive performance and make operations more efficient.

Another key aspect of personnel reform is the new, expanded collective bargaining environment. As a preview to more extensive training to be offered by the state's Labor Relations Office, the governor's chief labor negotiator Eva Santos will lead a breakout session with tips on managing effectively under new contract agreements.

Sign Up Early to Reserve Your Spot

The conference targets mid-level managers and human resource professionals, and is filling up fast. Because of enrollment limitations, you are invited to register early at www.wsqa.net. The cost is \$150 per person and will include a copy of co-author Ron McMillan's soon to be published book, *Crucial Confrontations*. The conference will be held on October 18 at the Doubletree Inn in Seatac.

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In the Works is an electronic newsletter based at the Washington Works website: www.washingtonworks.wa.gov